the Freeman

Ideas on Liberty

NOVEMBER 1969

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A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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let us give thanks

DONNA THOMPSON

RECENTLY, in an old book, I found a dedication I would like to shout from the house-tops and blazon across the sky.[1]

"This Book (as a mark of gratitude for inestimable blessings enjoyed, in liberty of person, liberty of property, and liberty of opinions, to a degree never exceeded in this world) is respectfully dedicated to a beloved but bleeding country torn in pieces by factious, desperate, convulsive and ruinous struggles for power. It is likewise dedicated to those millions of human beings, who neither hold nor seek office, but who are made the instruments of those who do seek them; and who, while a foreign enemy presses at their doors, are enfeebled and kept from union, to gratify the ambition of a few men, (not one in five thousand of the whole community) who have brought to the very verge of destruction, the fairest prospect ever vouchsafed by heaven to any nation."

Today we face the same issues that our country faced more than a hundred and fifty years ago: men who are seeking power at any cost and students and others who blindly follow. They are the instruments of those who do seek, not only to possess, but to destroy as well, followers who are blind to the consequences of their own folly.

Our country has met these problems in the past and solved them through courage and faith, with a determination that the rights of the individual should prevail, and that our people should live in a land of law and order without fear. It will do it again.

[1] M. Carey, *The Olive Branch*, or Faults on Both Sides, Federal and Democratic. A serious appeal on the necessity of mutual forgiveness and harmony. (Philadelphia: M. Carey & Son, 1814.)

Mrs. Thompson is a housewife and free-lance writer in Republic, Missouri.

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On Thanksgiving Day we are supposed to stop and give thanks. Instead we think of turmoil, strife, riots, and wars. Yet in spite of all these we have much to be thankful for and should give thanks for the many good things with which our lives have been blessed.

It seems to me that we should not think about how much we have to be thankful for on a special day. Instead we should be thankful every day and every hour of our lives for the good things which are ours. We are likely to forget if we wait for a special day on which to express our thankfulness.

I imagine the Pilgrims were thankful every day that passed that first hard winter at Plymouth Rock. But they were making such a struggle for survival that we have no record that they ever stopped or of what they thought. Maybe they felt as so many people do today that they had nothing to be thankful for.

But somewhere along the line they were awakened to the fact that they had very much. They had survived a long and difficult year. They had battled through illness, death, Indian raids, hunger, and cold in a hostile land. They were alive and able to face the morrow. They were possibly giving inward thanks all along, but that first Thanksgiving Day was an outward manifestation of their inward feeling. Every day when they said their prayers, I am sure they not only asked for help from God, but thanked him as well for the things he had given them.

We are living in so much turmoil, so much strife, with so many people struggling for power, for money, for publicity, for attention of every kind that it is hard to reason clearly. There are great numbers of people who are saying we have nothing worthwhile here in the United States. There is nothing in our country that is right. It is a sad situation when, as the old saying goes, "we cannot see the forest for the trees."

But this Thanksgiving, I am increasingly aware of what I have to be thankful for. And even in these troublesome times we should not forget to give thanks to a God who is not dead, but to a God who lives.

And being thankful, I wish that everybody could read the dedication in *The Olive Branch* and could remember.

We should bow down in heartfelt thankfulness and "gratitude for the inestimable blessings enjoyed in liberty of person, liberty of property and liberty of opinions never exceeded in this world. . . ."

Thanksgiving Day! Every day, let us give thanks. ◈

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the Golden Calf

WALTER R. YOUNGQUIST

THE AMERICAN PEOPLE right now are in the Valley of Decision. We must decide *now* whether we shall continue to live under liberty as free citizens, or kick it all out of the window and, for the *promise* and *hope* of perpetual physical security, exchange it for a system of regimented living as the serfs and property of a socialist dictator state. The choice is ours to make and no man or woman in this country can escape the making of it. Indifference to this paramount issue is just as deadly to our freedom as the outright embracing of socialism itself!

Two human attributes are, probably, responsible for more misery, death, hopelessness, war, and starvation than everything else in the world put together. One of these is the lust for personal power; the other is the constant desire for easy physical security without personal responsibility. Call it greed if you will. The two mesh together perfectly. History records that those who would destroy the liberties of the people first give them largess, grants, doles, and the promise of security in the money bags of government. History also records that those who lose their liberty barter it away for the promise of security at the hands of the state.

Mr. Youngquist is former President and now Director Emeritus of The First Federal Savings and Loan Association in Minneapolis.

The Struggle for Freedom

The struggle for human freedom is as old as humanity itself. The first pages of unfolding history

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reveal to us a picture of oppressed humanity hopelessly struggling, driven hither and yon over the earth under the lash of ruthless masters. These hapless humans have lived and died as cattle. They were, and are in fact, the beasts of burden, the physical property of the King, the Pharaoh, the Emperor, the Nabob, the Union of Soviet-Socialist Republics, or whatever you call that creature known as the authoritarian or totalitarian state.

Always the ceaseless struggle of the peoples of nations has been to throw off the shackles forged by their own rulers, or fight to the death in fending off a foreign despot attempting to extend his personal power.

The Rise — and Fall — of Nations

The history of nations is not that they rise, but that they rise — and fall. The Romans, under the Republic, achieved, perhaps, a greater measure of freedom than any other ancient people. They also achieved considerable security for themselves and imposed an era of comparative peace over the then civilized world. It was called the Pax Romana. Centuries later the British Empire maintained an era of Pax Britannica. Certain it is that the Roman Republic did produce great prosperity for the Romans. All their conquered territories paid tribute to them. Life was easy, and then licentious. Then moral decay set in, and while Rome gave every outward appearance of strength and security, it was rotting at the core. Then the smart politicians came on the scene. The way to achieve power over the Romans was to promise them security. Give them doles from the state; open up the corn-cribs, put lots of people on the public payrolls; tell them that they shall never worry again, the state will take care of them. Finally came the Gracchi Brothers, each trying to outpromise the other — the forerunners of the American Democrats and Republicans! The Romans took the bait, they put their trust in the state — and were conquered by a less civilized but more virile people who trusted in themselves! "A nation that wants anything more than freedom will lose its freedom," said Somerset Maugham, "and the irony of it is, if it is comfort and security it wants, it will lose them too."

As the centuries came and went, as the Christian religion spread with its teachings of the infinite worth of the individual, with its emphasis on the value and sacredness of human life, men everywhere began to stir with the urge for freedom. The centuries-old struggle took a long step forward when the English barons, in the

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beginning of the thirteenth century, wrested Magna Charta away from the unwilling King.

The Security of Freedom

There is a security which is real. It is the security of responsible freedom. If that freedom can be maintained, then physical security follows as a natural consequence. But if a free man seeks physical security outside of himself, with no urge or obligation to provide it for himself, then he will achieve that security at the expense of his liberty.

This nation has been extremely fortunate in its ancestral heritage. The Pilgrims came to our unknown land because they wanted to be free. Particularly, they wanted freedom of religion. They had been whipped around in Europe, persecuted, and with no hope for betterment. Then they looked over the wide ocean. They knew not what was on the other side, except one thing: freedom to worship as they wished. History has told the story. We have freedom, but it was earned at a terrible price. Then, in the great migrations that took place from northern Europe in the latter half of the nineteenth century, we received the workmen who turned this country into the land of opportunity, who built and worked in our factories, who took homesteads in the West and turned the prairies into productive farms. It was the surge of economic freedom, the fundamental building stone of this nation.

The Declaration of Independence proclaims:

> We hold these truths to be self-evident: That all men are created equal; that they are endowed, by their Creator, with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed.

The Constitution of the United States is a document to limit the power of government. The people who wrote that instrument had the experience of living under the rule of a foreign king. They had firsthand experience with the archaic, selfish, individualistic actions of a foreign monarch. They would set up a government "of the people, by the people, for the people," and every citizen would be entitled to the protection of the law. Always, however, there is the desire on the part of many people to circumvent the law. Always there are schemers who want to get rid of the law so far as they are concerned. They are the bureaucrats, those who are in position to wrest away from others their rights, while entrenching themselves in bureaucratic protec-

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tion. This tendency has gone so far that it is doubtful if it can ever again be controlled, and it may very well be the road down which this country will finally go into a socialistic dictatorship.

Two Philosophies of Government Struggling for Supremacy

Now, there persist in this world two philosophies of government, each struggling for supremacy.

One of these says that the state is supreme, and the source of all authority, well-being, and security. It conceives that the citizen is the subject and property of the state, and that all of the privileges, all of the freedom which the citizen enjoys, is a dispensation of the state. It denies that any man has certain unalienable rights which no government may invade, curtail, deny, or destroy. It is the concept of the state as the all-wise master which not only owns the citizen but is obligated to care for him. It owes every man a job without any responsibility on the part of the individual to create one for himself. Everyone is entitled to an equal share of everything that is produced regardless of his abilities, his industry, his thrift, or his frugality. Everyone is entitled to medical attention when sick and a proper burial when he dies. His only duty is not to die until he has collected his full benefits.

This philosophy manifests itself in a thousand ways but principally in progressive regimentation of labor, of agriculture, of business and the professions. Another symptom is the ever-growing bureaucracy and the tendency for governmental agencies and bureaus to multiply themselves, to seek more and more power over the citizens; to covet increasing power over public funds and to levy heavier and heavier taxes; to ceaselessly promulgate rules which have the force of law; to seek and expand authority to accuse, prosecute, and fine or imprison the citizens who refuse to obey their edicts; to constantly seek to throw off all restraints of constitutional government; to circumvent the courts; and if that doesn't succeed, to pollute and degrade the courts by the appointment of men beholden to the supreme authority. It becomes further apparent in the gradual abdication by the Congress of its powers and position as defender of the people's liberties; by a progressive weakening of the legislative branch of government through a system of favors handed out by the chief executive; and by a corresponding increase in the power of the executive. Thus, slowly but surely, the transformation takes place from a "government by law" to a "government by men."

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The Meaning of Liberty

The other philosophy conceives that the individual citizen is the true source of authority; that the state is the creation of the sovereign people; that its function is to govern within the limits set by the sovereign people, and not to engage in business in competition with the citizens. It recognizes that liberty is of the spirit as well as of the body and that the individual must be free to develop his own personality and resources, accepting the responsibilities of that freedom. Recognizing that discipline is essential in every ordered society, it conceives that discipline of a free people must be self-imposed and voluntary. This philosophy teaches that the state is the subject and property of the people; that it is without authority except that granted by the consent of the governed; that its function is to foster the well-being of the individual, to create for him a climate where the human personality may develop into its full flowering, and in which his liberties shall be protected under just laws. This philosophy teaches that the only liberal government is one which is duly limited to keeping the peace. A government which squanders itself into bankruptcy cannot be liberal. A people which leans more and more heavily upon the gratuities of a paternal state, a people which believes the doctrine that "the state owes me a living" must be prepared soon to surrender its liberty.

Patrick Henry said: "No free government, or the blessings of liberty, can be preserved to any people but by a firm adherence to justice, moderation, temperance, frugality, and virtue and by a frequent recurrence to fundamental principles."

True liberalism holds that liberty is an endowment by the Creator upon which no power may encroach, and no government may deny. It holds that the individual must be free to choose his own calling, to develop his talents, to own and keep a home sacred from intrusion, to rear children in ordered security. It holds that he must be free to work for whom he wishes, or not to work, without tribute to anyone, to earn, to save, to spend, and to accumulate property. It holds that the first duty of the state is to protect the citizen under the law.

Promises of the Welfare State

We are now asked to turn away from the qualities and principles that made us a great nation. False leaders have come among us — seeking more power over our lives and occupations. They have dangled before us a picture of the lush pastures of economic security;

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we have listened – and followed.

These leaders would have us believe:

– that security is surely to be found in the money bags of government, if we will but permit them to run our business, our farms, our professions, our jobs, and our lives.

– that the source of all security and welfare is the state and that it may not be had except from the state.

– that higher taxes upon our labor and thrift will provide us more welfare.

– that the state will give us more security by spending more than its income and by depreciating the value of money.

– that we may have more abundance if the state limits the harvest of our fields and the yield of our flocks; that prosperity is increased by paying farmers to overproduce, destroying the surplus, and taxing everybody to pay for it.

– that we may have more liberty through more laws and regulations giving more power to the state and to officials, agents, investigators, and bureaucrats in general to supervise and regulate every detail of our lives.

– that American citizens will rise to nobler heights of morality and individual achievement if they trust the state to provide all that is needful.

– that we may enjoy freedom from want, freedom from everything except the greatest of all freedoms – freedom from the tyranny of the state itself.

It Is Socialism!

They call this "public welfare," "security," "social and economic equality," "elimination of the profit motive," "production for use," and similar names to cover up its true nature. *It is Socialism.*

This headlong plunge into a socialist dictatorship is going to end up with the dictator telling us where we may work, what we shall do, how long we may work, and for what wages.

They will tell us how many square feet of living space we may have, who shall provide it, and on what terms we may live in it.

They will tell us what we may buy, what we shall pay for it, what we shall get for what we sell, what we may plant, where we may plant it, and how much; and how we shall dispose of the harvest.

This is the security of the Negro slave before the emancipation, the security of the American Indian, the security of the Englishman under socialism, the security of a "guaranteed" job – as in Russia. It won't be long in coming unless we reject false promises and exercise self-responsibility.

Government aid *to* the individ-

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ual is followed by government control *of* the individual, which means government force *against* the individual. *No people can remain free except by exercise of thrift and frugality.*

The Golden Calf

The modern version of the story of the Golden Calf would read like this:

And the people of America murmured because life was so hard, and they pined for security. And the bureaucrats, hearing of their sad plight contrived to make the people secure. So they said to the people: "Put your trust in us and we shall open unto you the bottomless money bags of government. They shall be your Golden God who will care for you and your children from the cradle to the grave. Your beds shall be soft; your bellies shall be filled with good things to eat; your labor shall be easy and your wages shall be great. There shall be long seasons of time-and-a-half and double-time. You shall generously share the fruits of labor of others and much time for ease shall be your lot." And the people said: "Hurrah, verily shall the money bags of government be our Golden God and upon these leaders shall we trust our security." Thus did the people of America deliver themselves into bondage.

IDEAS ON LIBERTY

Two Sides of Poverty

IF PAYING PEOPLE not doing productive work is anti-poverty, it's more than offset by the pro-poverty effects of taxing away the earnings of those doing productive work.

If handing out money is anti-poverty, taxing in the money is pro-poverty.

If putting people to work is anti-poverty, then union restrictions, minimum wage laws, discriminations, and the like which keep people from getting a job are pro-poverty.

If training people to take jobs is anti-poverty, taxes which discourage investors from providing these jobs are pro-poverty.

No matter how fast we increase our anti-poverty measures, poverty continues to grow because of the increasing and spreading pro-poverty ones. Protecting the right of every American to be free to work without disruption or restriction (Open Employment), letting those who work enjoy the fruits of their own labors (Taxation *with* Limitation), and permitting investors to profit from their financing of productive enterprise and employment (Free Private Enterprise) — these are the things which do the most to eliminate pro-poverty conditions and reduce poverty.

J. KESNER KAHN

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"She says my house is dark..."

BENJAMIN N. WOODSON

IN THE EYES of the law, a boy becomes a man when he reaches the age of twenty-one.

But I rise this month to suggest to you that a boy truly becomes a man, not on his twenty-first birthday, but, rather, on the day he comes fully to realize that his destiny in this competitive world is his own personal and exclusive responsibility.

This realization comes to some young men long before the twenty-first birthday, and to some others long after that significant anniversary (and sometimes long, *long* afterward) . . . and to some it comes not at all.

Now here you might say to yourself that this observation is an elementary one which belabors the obvious and elaborates upon the self-evident. But possibly you will agree, on further reflection, that the point is obvious and self-evident only to the person whose maturity and experience and observation have served to make it so.

Perhaps it will be worth your while to look around you for a moment and contemplate the relationship of this precept to some of those men and women on whom your gaze falls. You will quickly see, I believe, more examples than one of the man who is mature by the calendar but is still an adolescent emotionally and philosophically.

You will observe that such a man still feels deep within himself that he should be able to rely upon others to carry him and coach him, to teach him and help him, and, finally, even to perform for him . . . and by the same reason-

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Mr. Woodson is President of the American General Insurance Company, well known for his writings on freedom.

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ing he feels entitled to place upon others the responsibility for his shortcomings and his failings.

Observe this man closely, I urge you, for there is much to be learned from his immaturity of thought and viewpoint.

He will tell you in his every utterance that he has not yet accepted the responsibility for his own batting average. He will tell you that he has not yet recognized and conquered the natural human impulse of every man to place the blame for his failings and shortcomings outside himself. He will speak to you of advantages denied him, of promises by others long unfulfilled, of assistance due him but not delivered, of faults not in himself but in his stars.

He will account for his inadequate grasp of a subject he should have delved into long ago on the grounds that he was shortchanged in school, or by lack of schooling — forgetting that in the ten or twenty years since he last attended a class he has had ten or twenty years to study and learn had he been of a mind to do so.

He will assure you with all conviction and utmost sincerity that he is not naturally inefficient or willfully indolent, but that his dispersal of effort results from matters quite outside his control. He will tell you that he would have been on time for his appointment with you if he had not been delayed by some third person or some unforeseeable event.

(The most perceptive and discerning man I know remarked once in my hearing, "The man who is always late *always* has an excuse — always! — and, what is more, it is a *good* excuse, too; but he nevertheless continues to be always late.")

This man of immaturity, whatever his vocation, will tell you that he would do better occupationally if only he had a better understanding of his own company and its business, or of investments, or economics, or banking, or business law, or whatever, but that *nobody has taught him* — forgetting that it is his responsibility to *learn*, not someone else's obligation to *teach*, and that virtually everything he needs awaits him in publications to which he has ready access either in his employer's place of business or at the public library.

He will tell you that he, too, would close more and bigger sales, or turn out cleaner blueprints, or produce more units of work or fewer rejects, or both — if only his manager or supervisor would work with him and coach him and help him "as much as he helps all the other fellows in the department."

He will tell you, his countenance shining with honest certainty, that

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he works as diligently, as intelligently, as imaginatively, as all those around him, but that the others *get more lucky breaks* than does he.

(I know a man who says -- and believes himself implicitly, mind you! – that he is "the best bridge player" in his particular circle, but that he "can't hold cards" – by which he means to contend that he has consistently drawn weaker hands than the others in the game over a long period of years. And I give you my word that the man truly *believes* it!)

The man who is still immature emotionally and philosophically tells you this truth about himself by his attempts to place the responsibility for his deficiencies upon circumstance, or fate, or other persons. He implies to you that he hasn't yet run up a good score because those others who are supposed to hit the ball for him haven't done well enough to give him the high batting average to which he would like to become accustomed. He hasn't yet faced squarely the elementary fact that only his own trips to the plate, and only the hits which he himself drives out and *his* bat, *his* eyes, *his* muscles, *his* cunning, will serve to build his batting average and his record of accomplishment across the years.

One sunny morning in the year 49 A.D., a Roman statesman and philosopher named Lucius Annaeus Seneca sat himself down and wrote a letter to his friend Lucilius. The communication he sent on its way that day has survived these nineteen hundred years because it tells so simply and so unforgettably the truth that all men, until they change themselves by intellectual maturity and strength of character, tend naturally to place the blame for their shortcomings outside themselves.

Here is what he wrote:

"You know of our old housekeeper, our old servant, who has been in our home for years. Her sight has failed and now it is gone. I am telling you a strange but true story: *She is not aware that she is blind, and constantly urges her keeper to take her out of doors because she says my house is dark.*

"What we laugh at in her, I pray you to believe, happens to every one of us, for no one of us knows himself to be avaricious or covetous or vain.

"The blind at least call for a guide, while we go astray on our own accord. 'I am not ambitious,' we say, 'but in Rome one cannot live otherwise.' 'I am not a spendthrift, but the city requires a great outlay.' 'It is not my fault if I am erratic, if I have not yet settled upon a definite course of life; it is a fault of youth.'

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"Let us not seek our disease outside of ourselves; it is within us, it is implanted in our bowels. And the mere fact that we do not perceive ourselves to be sick serves to make our cure more difficult."

If we grow myopic, let us not persuade ourselves that the world grows dark around us. If our own failings hamper us painfully, let us not try to place the blame outside ourselves . . . *"let us not seek our disease outside of ourselves,"* for the fault is our own.

IDEAS ON LIBERTY

The Non-System

I'M a firm believer in the notion that all that society owes any man is the right to do as he pleases — to work, not to work, to provide a service, to dream, or to create — so long as he doesn't interfere with another man's right to do likewise. If I want to do an honest day's work to support my family, I should be free to do so. If I don't want to work, then I shouldn't bother others who want to, nor should I expect that they owe me part of their earnings.

Man is a needy being. If I feel that I can provide one of these needs, then let me do so. Galileo was troubled that the time for the swing of a chandelier was the same for a long swing and a short swing. Others in the same church saw the same thing. Only *he* dreamt and created. Left to do so without outside interference, most men will create, even if only to provide minimum sustenance.

And all the while, where is the system? We need none. Indeed, we have few systems in our society that are *doing* for man. Producers seem to get by despite systems and plans, however well-intentioned, that for the most part impede free enterprise. We have systems, systems that watch systems, and systems that overlap. We have planners, planners that watch planners, and plans that overlap.

Give me a chance to act without roadblocks, because in the process of trying to eke out a living — a single working man or a corporation — I'm preoccupied with obstacles. Let's not make others live as we do, but rely instead on mutual trust and respect. We can very well take care of ourselves if not oversystematized by others.

MARTIN SCHAFFER, Allentown, Pa.

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LEONARD E. READ

FREE MARKET DISCIPLINES

CONTRARY to socialistic tenets, the free market is the only mechanism that can sensibly, logically, intelligently discipline production and consumption. For it is only when the market is free that economic calculation is possible.[1] Free pricing is the key. When prices are high, production is encouraged and consumption is discouraged; when prices fall, the reverse holds true. Thus, production and consumption are always moving toward equilibrium. Shortages and surpluses are not in the lexicon of free market economics.

Conceded, the above is no news to those who apprehend free market economics; they well know of its disciplinary influence as regards production and consumption. This alone warrants our support of the free market. However, the free market has two other quite remarkable disciplinary possibilities which have seldom been explored.

Before making that exploration, it is necessary to recognize the limitations of the free market. The market is a mechanism, and thus it is wholly lacking in moral and spiritual suasion; further, it embodies no coercive force whatsoever. In these respects, the market is without disciplinary possibilities.

"Like all mechanisms, the market, with its function for the economizing of time and effort, is servant alike to the good, the compassionate, and the perceptive as

[1] Professor Ludwig von Mises establishes this point, irrefutably, in his book, *Socialism* (London: Jonathan Cape, Ltd., 1969).

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well as to the evil, the inconsiderate, and the oblivious."[2] Scrupulosity is not among its characteristics.

The free market is a name we give to the economic activities – a short-hand term, we might say – of a people acting freely, voluntarily, privately, cooperatively, competitively. It is distinguished by universal freedom of choice and the absence of coercive force. Ideally, only defensive force – government – is employed to put down fraud, violence, predation, and other aggressions.

Given a society of freely choosing individuals, the market is that which exists as a consequence – it is a mechanism that is otherwise nondefinitive. It is the procession of economic events that occur when authoritarianism – political or otherwise – is absent.

While private enterprise is often practiced in a manner consonant with free market principles, the two terms are not synonymous. Piracy is an enterprise and also private. Many businesses when in league with unions, for instance – willingly or not – feature elements of coercion and thus are not examples of the free market at work.

The free market has only been approximated, never fully attained, and, doubtless, never will be realized. It is an out-of-reach ideal; we can only move toward or away from it. Yet, in the U.S.A., even in these days of a rapidly growing interventionism, the free market flourishes to a remarkable extent. To appreciate this, merely envision the countless willing exchanges – hundreds of millions daily – such as Mrs. Jones swapping a shawl she has made for a goose Mrs. Smith has raised, or the money you pay for a phone call or a quart of milk. In these instances, each party gains, for each desires what he gets more than what he surrenders. In a word, the free market is individual desire speaking in exchange terms. When the desire for Bibles is accommodated in noncoerced exchange, we can conclude, quite accurately, that we are witnessing a market for Bibles. Or when the desire for pornography is being thus accommodated, we can conclude that there is a market for trash. I repeat, scrupulosity is not a feature of the market.

An Amoral Servant

When the desires of people are depraved, a free market will accommodate the depravity. And it will accommodate excellence with equal alacrity. It is "servant alike to good . . . and evil."

[2] See "Value—The Soul of Economics," by W. H. Pitt. *The Freeman*, September, 1969.

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It is because the free market serves evil as well as good that many people think they can rid society of evil by slaying this faithful, *amoral* servant. This is comparable to destroying the sun because we don't like the shadows we cast or breaking the mirror so that we won't have to see the reflection of what we really are.

When I sit in front of a TV and view trash, I tend to rant and rave at what I'm seeing. Wake up: What I hear and see is a reflection of what's in me! Thus, my only corrective is to read a good book or otherwise cease to patronize such low-grade performances.

The market is but a response to — a mirror of — our desires. Once this harsh reality is grasped, the market becomes a disciplinary force. To elaborate: Say that a person desires, buys, and reads a filthy book. Were he to realize that what he's reading is a picture of what's in his own make-up, such a realization, by itself, would tend to change him for the better. The market would then reflect the improvement. But note that the market has no such effect on those who are oblivious to this fact. *It's the knowledge of this character-revealing fact that makes of the market a disciplinary force.* I am only trying to point out the market's potentiality in this respect.

Instead of cursing evil, stay out of the market for it; the evil will cease to the extent we cease patronizing it. Trying to rid ourselves of trash by running to government for morality laws is like trying to minimize the effects of inflation by wage, price, and other controls. Both destroy the market, that is, the reflection of ourselves. Such tactics are at the intellectual level of mirror-smashing, attempts not to see ourselves as we are. The market's potentiality as a disciplinary force is thereby removed. To slay this faithful, amoral servant is to blindfold, deceive, and hoodwink ourselves. Next to forswearing a faith in an Infinite Intelligence over and beyond our own minds, denying the market is to erase the best point of reference man can have. So much for the first somewhat unexplored possibility of the market as a disciplinary force.

Imperfect Man

Now to the second. This cannot be explained unless we are aware of our numerous shortcomings, of how narrow our virtues and talents really are — everyone's, no exceptions.

Let's take, for example, the greatest mathematical genius who ever lived. He's a giant in his field. Yet, without any question, he's a know-nothing in countless other ways. This goes for outstanding

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generals, chemists, physicists, scientists of whatever brand. No one ever gets more than an infinitesimal peek at the Cosmic Scheme, at the over-all luminosity, even at himself. We must see that the biggest among us is tiny. And one who denies this about himself is displaying the greatest ignorance of all: he doesn't even know how little he knows! "If we wish to know anything, we must resign ourselves to being ignorant of much."[3]

Reflect on this human reality, on imperfect man, particularly on the more imaginative and brilliant individuals among us. While they possess an outstanding and remarkable aptitude or two, they too are daydreamers. "If only I had a million dollars," is a dream that flashes across countless minds. Many of these specialists want above all else to pursue their own peculiar bent whether it be going to the moon, genetic alteration of other human beings, releasing the atom's energy, or whatever.

Knowing so much about one thing and so little about everything else, they are unable to know what effect their ambitions, if achieved, might have on the human situation. Just as a baby with a stick of dynamite and a match is unaware of what the consequences might be!

[3] John Henry Newman.

The lamentable fact is that scientists, pseudo scientists, and other technologists have been given a wishing well: the Federal grab bag. They, thus, are encouraged to carry out any experiment their hearts desire, without let or hindrance. Leaving aside the destruction of our economy by inflation – featured in the grab bag's financing – they are alarmingly endangering all the people on this earth, even the earth itself. And primarily because they suffer no restraining and disciplinary forces; their passions and ambitions are on the loose!

The Disciplines of the Market

The remedy? Let these ambitions be submitted to the discipline of the market precisely as are most other commodities and services. Go to the moon? Of course; that is, when the market permits the venture, if enough people voluntarily subscribe the cash. Release the atom's energy? By all means; that is, when the market is ready for it.

Am I saying that the market has a wisdom superior to the President of the United States, or the Congress, or a bureaucracy? I am not. The market is a mechanism and is neither wise nor moral. I am only claiming that it has disciplinary qualities. To understand why requires no more than a

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knowledge of what the components of this mechanism are: millions upon millions of individual preferences, choices, desires. *The market is an obstacle course;* before I can pursue my bent or aptitude or obsession, I must gain an adequate, voluntary approval or assent! No wishing well, this! My own aspirations, regardless of how determined, or lofty, or depraved, do not control the verdict. What these others – impersonal as a computer – will put up in willing exchange for my offering spells my success or failure, allows me to pursue my bent or not.

There are exceptions to this rule, of course. For instance, some of us who may be unable to win in the market will, like Van Gogh, face starvation in order to pursue our passions. The threat of starvation, however, is quite a discipline in itself; at least, not much is likely to be uncovered in these circumstances that will destroy life on earth. It takes big financing to do unearthly things.

The market very often returns fortunes for comparative junk and, on occasion, returns nothing at all for great and beneficial achievements – temporarily, that is. Eventually, in a free society, the junk goes to the junk heap and achievements are rewarded.

I believe that anyone should follow his star; but let him do so with his own resources or with such resources as others will voluntarily supply. This is to say that I believe in the market, a tough disciplinary mechanism. I do not believe in cars without brakes, impulses without repulses, ambitions without check points, wishes run riot. Societal schemes that are all sail and no ballast head society for disaster!

The rebuttal to this line of reasoning is heard over and over again: "But we voted for it," meaning that the Federal grab bag – open sesame with other people's income – has been democratically approved. Granted! But this is nonsense: The fruits of the labor of one man are not up for grabs by others, that is, not rationally.[4] This is not a votable matter, except if one's premise be a socialistic society. What's right and what's wrong are not to be determined at the shallow level of nose-counting or opinion polls. To argue otherwise is to place the same value on the views of morons as you do on your own.

Others' Money or Mine?

As a disciplinary force over wild aspirations, the President of the United States, a member of Con-

[4] For what I consider to be a rationally constructed explanation of this point, see "The American System and Majority Rule" by Edmund A. Opitz, THE FREEMAN, November, 1962.

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gress, a bureaucrat is not only less effective than the market but less effective than any single buyer or seller in the market. An individual, when a government official, considers only how much of other people's money should be spent. The motivation in this instance favors spending over economizing. The same individual, in the free market, considers how much of his *own* property he is willing to put on the line. The motivation in this instance is self-interest. And this is tough! Ambitions as silly as tracking the meanderings of polar bears by a Nimbus satellite stand a chance for satisfaction when a grab bag made up of other people's money is readily at hand;[5] whereas, the free market gives short shrift to projects that are at or near the bottom of individual preferences.

True, were personal ambitions subjected to the disciplines of the market, trips to the moon would have to be postponed. Atomic energy might be a phenomenon of the future. Many other scientific explorations – some secret – taking place today in our universities and Federally financed would, under the discipline of the market, still be safely stored in imaginative minds.

This is no argument against technological breakthroughs. It is merely to suggest that these illuminations be financially encouraged only as the free market permits. The resulting steadiness in progress might then be harmonious with an expanded understanding of what it is we really want and can live with.

I repeat, societal schemes that are all sail and no ballast head society for disaster. The free market is ballast – a stabilizer – we might well put to use if we would avoid wreckage in the stormy seas of political chaos.

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[5] See "The Migration of Polar Bears," *Scientific American*, February, 1968.

This article will appear as a chapter in Mr. Read's book, *Let Freedom Reign*, to be available soon.

Jenkin Lloyd Jones

IDEAS ON LIBERTY

THE ACHILLES HEEL of the socialist theory is that the more intensively it is applied the more the human being loses his options. Without the free interplay of the forces of the free marketplace the greater must be the centralization of planning and authority, and the greater the role of coercion.

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The Battle in the Streets

CLARENCE B. CARSON

THE BATTLE in the Streets is an omen, a sign, a portent, and it must be interpreted as such. It is a dramatic presentation for all of us to see of what is wrong with the programs the government has employed. The rioters are following the lesson plan learned from the government; they have learned the lesson well and are now applying it. For decades, government has made war on the poor with programs that were supposed to benefit them. It has sanctioned the use of force to achieve what would otherwise be economic ends. It has penalized production of farm products, fostered union organization and tactics, taken by force from those who produce to give to those who do not.

The government, by example, has taught that the way to prosperity is to avoid the requirements of economy, to spend rather than save, to destroy rather than to produce. It has taught, by its actions, that those who save, invest, build, produce, provide jobs, offer services are dangerous antagonists, if not outright enemies, of society. On the other hand, it has taught that those who do nothing worthwhile, who roam the streets and parks, who malinger or plan demonstrations to force concessions, are objects for special consideration and solicitude. Government has said, by way of its programs, that the way to improve life in the cities is to demolish the buildings and make the earth bare.

This article is reprinted by permission from Dr. Carson's new book, *The War on the Poor* (Arlington House, 1969). Copies of the book are also available from the Foundation for Economic Education, Irvington-on-Hudson, N. Y., $5.95.

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The Battle in the Streets is a paradigmatic imitation of all this. The rioters demolish buildings with molotov cocktails and fire, leaving structures scarred ruins, driving out small businessmen and inhabitants. They loot the stores, taking from those who produce for those who do not. The enemy is clearly made up of those who have saved, invested, built, produced, provided jobs, offered services, and so on. The work of years is undone in short order by the rioters.

Government Points the Way

All this is clearly diseconomic, but then government had shown the way. These rioters should have been producing prosperity, according to the new economics, for they were destroying buildings that might be rebuilt, gutting stores of goods that might be replaced, even making jobs by creating new "needs" that would be met. (The new economics has taught for years that the basic problem in America is to stimulate demand.) The force and violence employed in the Battle in the Streets was an imitation of that which government has been employing for years in its war on the poor.

For years, reformers have proclaimed that their programs fell short of attaining their ends only because they were too timid, were not carried out in a sufficiently thorough fashion. The Battle in the Streets tests that hypothesis. There are not half-way measures there. Rioters do not wait for bulldozers to level buildings. They do not wait for property to be acquired by the way of the exercise of the power of eminent domain. They simply take it over for destruction. They do not wait for goods to be taken by taxation and given to the poor. They simply confiscate them by looting. If prosperity can be achieved by force, it should be more readily attained by massive and direct force. Many of the reformers do not appear to misunderstand the import of all this; they stand by today calling for the appropriation of tens of billions of dollars for spending in these areas demolished by rioters, and other areas of like character.

The force and violence employed in the Battle in the Streets was an imitation of that which government has been employing for years in its war on the poor.

Even the assaults upon firemen, police, and the armed forces brought into the field of combat are not hard to understand. There

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are overtones in this of the expression of hatred for authority, a hatred that may contain in it glimmers of understanding of how deeply government has failed the poor by making war on them. More directly, though, the police, particularly, are the representatives of traditional authority, charged with the task of protecting life and *property*. This is an assault upon property, and police must not be permitted to exercise their assigned duties. In this circumscription of the power of the police, the rioters are imitating in a more direct fashion what the Federal courts have been doing for some time now.

It is true that the Battlers in the Streets are making war on themselves. In this, too, they are following the pattern set by the government. The government has set citizen against citizen and group against group. It has also turned one aspect of a man against his other aspects, as in the case of the war on the consumer. Those who have taken to the streets demonstrate this same behavior. It is quite likely that sometimes a man may have thrown a molotov cocktail which set fire to a dry cleaning establishment where some of his own clothes were.

This interpretation is not at odds with the fact that the Battle in the Streets has been spurred by agitators, that various and sundry radicals have fomented it. Instead, these agitators share much common ground with the reformers who have promoted the government programs. Both have wished to transform society by force; the reformers would do so by using formal government; the agitators pursue their course more directly. Of course, those in control of government cannot and do not condone rioting and insurrection, but so far as they reward it by government appropriations into the ruined areas, as they did at Watts, they show a remarkable affinity with the aims of the rioters. . . .

Who Are the Victors?

Who are the victors in this civil war that results from the war on the poor? This is not the story of the victors, so the question will not be dwelt upon here. But there are many who have benefited and do presently benefit from the government intervention. Many have a vested interest in the continuation of the government programs. It will only be necessary to allude to some of them.

Among the victors, thus far, have been the politicians. These range from Presidents of the United States to the local favor dispensers. Many politicians have become accustomed over a good many years now to getting elected

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to office by promising favors to various interest groups, to farmers, to labor unions, to the aged, to the young, and so on. In effect, they have become used to buying their way into office by promising benefits bought with the tax money of all of us. For those who desire power, there seems to be no better way to attain it than to cater to one of the basest of human desires, the desire to get something for nothing. It does not seem to matter that the bulk of the population does not and cannot benefit from such practices.

For those who desire power, there seems to be no better way to attain it than to cater to one of the basest of human desires, the desire to get something for nothing.

The beneficiaries are numerous even so, but let it suffice that they simply be named: the bureaucrats who dispense the favors and wield the power, the labor union leaders who enjoy both munificent salaries and prestigious positions, the corporations that get government contracts, the builders who get inexpensive land in strategic locations by way of urban renewal, established businesses that benefit from the blocking of potential competitors by government restrictions, the holders of franchises, monopolies, and licenses, the farmers who are growing wealthy by way of government subsidies, the members of labor unions who are able to keep their jobs at higher wages, the intellectuals who provide grist for the programmatic mills, and all the others who have good incomes or prestigious positions in consequence of the intervention. When all these are joined with the millions upon millions who are now dependent upon government for subsistence (all those receiving welfare payments, farm payments, subsidies, social security, unemployment compensation, and so forth), who believe themselves helpless without the government aid (and have been made nearly so by the intervention), their number is probably sufficient to form electoral majorities.

This is not to imply that the victors are necessarily conscious that they are victors over the poor. There is every reason to believe that many of the politicians (and those who succor them) really wish to help the poor. In any case, charity demands that we give them the benefit of any doubt and believe that even now many of them do not know how badly awry their programs have gone.

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A Divisive Force

The War on Poverty, then, has not resulted in the conquest of poverty. It has, instead, resulted in the conquest of the poor. Government has divided the populace into contending factions, has empowered portions of the people against others, has lent its force to the cause of some and turned its back upon others. The incipient civil war that is an inevitable result of such policies has finally broken out in the streets. Strictly speaking there are not yet victors, for the war is not over: there are only those who have been advantaged by the conflict. Even so, it is surely time for the work of pacification.

Those who have been contending are not natural enemies. Farmers are not at odds with urban dwellers by nature, capital with labor, government with the poor. The Battle in the Streets is not even a logical consequence of or response to poverty. On the contrary, the various peoples in a country complement one another; specialization of function requires and begets cooperation; the appropriate response to poverty is not destruction, but economy. The work of reconciliation proceeds from this understanding. . . .

Programs that were supposed to aid the poor have harmed them instead. Justice with eyes wide open has discriminated among the citizenry, has selected farmers for special ministrations, has looked with favor upon labor unions, has bestowed privileges upon some businesses, has gone with its bag of goodies into the hearts of the cities. Mercy blinded has taken from the poor to give to the rich, has taxed the generality of people to pay subsidies to wealthy farmers, has driven workers away from the gates, has priced the poor, the unskilled, the disabled, out of the labor market, has driven small businesses to the wall, and has forced the urban poor from their habitations to make room for multilane highways and high-rise apartments.

Cruelest and most deceptive of all, government has raised false hopes and expectations of the good which it claims can be done by its methods. The employment of force was supposed to benefit the poor; Mercy could take up guns, so the program implied. Some of the poor have taken the message to heart. They have taken up weapons to improve their own well-being. The Battle in the Streets is the dramatic result. In consequence, the poor are poorer; they have only preyed upon one another.

The Unethical Is the Inexpedient

What was inexpedient turned out to be also unethical. To turn it

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around, and get first things first, the unethical is also inexpedient. It is unjust to take from the poor to give to the rich. It is equally unjust to take from the rich to give to the poor. But even if it were just to take from the rich to give to the poor, governments do not operate in that fashion. They take from all producers, rich and poor alike, to give to nonproducers, at best. Nor can it be otherwise. The resources of the wealthy would soon be exhausted, if some devices could be found to appropriate these alone. In that case, we should all be impoverished, however, for the distributed wealth would be used to vie for the decreasing supply of goods that would result from the decline of investment.

There is no hope for the poor from government intervention. The reason is that government is not the right instrument for increasing wealth. The results of the massive governmental programs thus far illustrate the fallacy. Large numbers of the poor have been made perpetually unproductive, dependent upon government, and perennially poor. To pay for this, the productive have been reduced to servility to government by way of taxation and regulation, and those who would rise by their own efforts have had the way made harder.

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Nor is this failure due simply to corruption, malfeasance, or even the tendency of men to pervert the programs to their own ends (the latter being not only a possibility but a virtual certainty). . . .

The Poor Need Economy

The political shenanigans of petty local politicians grasping for War on Poverty funds would no doubt make interesting reading. But to focus on these would be to suggest that the programs have failed because of incidental corruption. It would leave the way open to hope that with better administration and some improvements the programs would work. There is no reason to suppose that this is the case.

The programs have failed because they misconstrue the nature of government and economy. They have attempted to employ force to produce economic results. Men cannot be forced to be economical; yet when left to their own devices, men *will* be economical. Economy

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results from *willing* effort, from *willing* innovation, from *willing* exchange, from *free* decisions, and from *voluntary* combinations. Government action tends to produce rigidity, to keep things the way they are, to make it much more difficult for the poor to improve their lot. It raises costs, raises prices, produces surpluses – goods that will not be bought at the prices it decrees –, causes unemployment, reduces competition, removes opportunities, and results in shortages, depending upon how it is employed. The poor cannot benefit from all this because they need economy.

The war upon the poor will be ended when the numerous interventions are ended. This is of a piece with what is needed for the reconstruction. Governments must be restricted to their proper sphere in order that the poor, as well as everyone else, may be freed to improve their own condition, if that is their desire. To suppose that the poor would be clever enough and have the perseverance to manipulate government to their advantage is to suppose something contrary to what has ever been or is ever likely to be, in any case. If the poor were that clever and persistent they would not remain poor for long in any conditions. Government intervention has ever been a device to give additional advantages to those who already have power and wealth. It was an illusion that it could be otherwise. The fact that wealthy men predominate as national political figures today and advance these strange welfarist notions – such figures as the Kennedys, the Roosevelts, the Rockefellers, and so on – should have alerted us to the power quest that is involved.

Hope Lies in Freedom

The hope of the poor lies with freedom. The politics of expansive government is not for the poor. Politics is the arena of influence peddlers, of batteries of lawyers, of five-per-centers, of special tax exemptions for oil millionaires, of cost-plus contracts, of those who have the inside track, of demagogues who feather their nests at public expense, of the powers that be. The poor have neither the resources, the background and education, nor the time to spend on such quests. They cannot compete in this arena; at best, they will only get some of the crumbs that fall from the table; at worst, they will have television sets with which to view the political spectacles put on with their money.

The hope of the poor lies with restricted and limited government. It is indeed a work of reconstruction to regain this condition. Limited government and free men was

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once the great promise of American life. The Founders of these United States constructed a government of separated and balanced powers so that hungry politicians might vie for power against one another rather than the populace. They limited governments and specified their powers so that men might compete in an arena of freedom rather than contest for political spoils, so that industrious men might have the fruits of their labor, and so that the indolent might be spurred to labor by their needs. And they perceived that it was better for all that charity proceed from those who were concerned than that the poor receive government favors exacted from the industrious by power-seeking politicians. . . .

There is hope for the poor. There is hope for them in the restoration of liberty and their return to useful service, to bringing forth crops from the soil, to making and purveying goods, to providing much needed services. When the disaffected poor learn again to serve rather than to bribe, their labors will result in providing healing ministrations to society.

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America's Greatest Gift

Let this work show, too, that it is not only interventionists who are concerned with the poor. Certainly, those who entertain grave doubts about the beneficence of government programs may at the same time be deeply concerned about the poor. That parent who does everything for his child does not love more than others; he is only more indulgent. He is actually denying the child experiences that would lead to much needed progress toward being able to look after himself. Love not only gives generously when the occasion warrants but also withholds wisely for the good of another. The greatest gift that America can bestow upon the poor is that liberty by which they may receive the fruits of their toil. The promise of American life, as Thomas Jefferson put it in 1801, is "a wise and frugal Government, which . . . shall not take from the mouth of labor the bread it has earned."

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THE VALUE OF MONEY

HANS F. SENNHOLZ

MOST ECONOMISTS are in agreement that the inflation in the United States during the past three years has been the worst since the early 1940's, taking account of both severity and duration. But they cannot agree on the nature of the inflation that is engulfing the American economy. To some, inflation denotes a spectacular rise in consumer prices; to others, an excessive aggregate demand; and to at least one economist, it is the creation of new money by our monetary authorities.

This disagreement among economists is more than an academic difference on the meaning of a popular term. It reflects professional confusion as to the cause of the inflation problem and the policies that might help to correct it.

A review of some basic principles of economics that are applicable to money may shed light on the problem.

Two basic questions need to be answered: (1) What are the factors that originally afforded value to money, and (2) What are the factors that effect changes in the "objective exchange value of money" or its purchasing power?

Money is a medium of exchange that facilitates trade in goods and services. Wherever people progressed beyond simple barter, they began to use their most marketable goods as media of exchange. In primitive societies they used cattle, or measures of grain, salt, or fish. In early civilizations where the division of labor extended to

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larger areas, gold or silver emerged as the most marketable good and finally as the only medium of exchange, called money. It is obvious that the chieftains, kings, and heads of state did not invent the use of money. But they frequently usurped control over it whenever they suffered budget deficits and could gain revenue from currency debasement.

When an economic good is sought and wanted, not only for its use in consumption or production but also for purposes of exchange, to be held in reserve for later exchanges, the demand for it obviously increases. We may then speak of two partial demands which combine to raise its value in exchange – its purchasing power.

The Origin of Money Value

People seek money because it has purchasing power; and part of this purchasing power is generated by the people's demand for money. But is this not reasoning in a vicious circle?

It is not! According to Ludwig von Mises' "regression theory," we must be mindful of the time factor. Our quest for cash holdings is conditioned by money purchasing power in the immediate past, which in turn was affected by earlier purchasing power, and so on until we arrive at the very inception of the monetary demand. At that particular moment, the purchasing power of a certain quantity of gold or silver was determined by its nonmonetary uses only.

This leads to the interesting conclusion that the universal use of paper monies today would be inconceivable without their prior use as "substitutes" for real money, such as gold and silver, for which there was a nonmonetary demand. Only when man grew accustomed to these substitutes, and governments deprived him of his freedom to employ gold and silver as media of exchange, did government tender paper emerge as the legal or "fiat money." It has value and purchasing power, although it lacks any nonmonetary demand, because the people now direct their monetary demand toward government tender paper. If for any reason this public demand should cease or be redirected toward real goods as media of exchange, the fiat money would lose its entire value. The Continental Dollar and various foreign currencies over the years illustrate the point.

On Demand and Supply

The purchasing power of money is determined by the demand for and supply of money, like the prices of all other economic goods and services. The particular rela-

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tion between this demand and supply determines its particular purchasing power. So, let us first look at those factors that exert an influence on individual demand for money.

As money is a medium of exchange, our demand for it may be influenced by considerations of facts and circumstances either on the goods side of the exchange or on the money side. Therefore, we may speak of goods-induced factors and money-induced factors.

Variation on the Side of Goods

A simple example may illustrate the former. Let us assume we live in a medieval town that is cut off from all fresh supplies by an enemy army. There is great want and starvation. Although the quantity of money did not change — no gold or silver has left our beleaguered town — its purchasing power must decline. For everyone seeks to reduce his cash holdings in exchange for some scarce food in order to assure survival.

The situation is similar in all cases where the supply of available goods is decreased although the quantity of money in the people's cash holdings remains unchanged. In a war, when the channels of supply are cut off by the enemy or economic output is reduced for lack of labor power, the value of money tends to decline and goods prices rise even though the quantity of money may remain unchanged. A bad harvest in an agricultural economy may visibly weaken the currency. Similarly, a general strike that paralyzes an economy and greatly reduces the supply of goods and services raises goods prices and simultaneously lowers the purchasing power of money. In fact, every strike or sabotage of economic production tends to affect prices and money value even though this may not be visible to many observers.

Some economists also cite the level of taxation as an important factor in the determination of the exchange value of money. According to Colin Clark, whenever governments consume more than 25 per cent of national product, the reduction in productive capacity as a result of such an oppressive tax burden causes goods prices to rise and the purchasing power of money to fall. According to that view, with which one may disagree, high rates of taxation are the main cause of "inflation." At any rate, there can be no doubt that the American dollar has suffered severely from the burdens of Federal, state, and local government spending and taxing that exceed 35 per cent of American national product.

Yet, this purchasing power loss of the dollar would have been

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greater by far if a remarkable rise in industrial productivity had not worked in the opposite direction. In spite of the ever-growing burden of government and despite the phenomenal increase in the supply of money (to be further discussed below), both of which would reduce the value of the dollar, American commerce and industry managed to increase the supply of marketable goods, thus bolstering the dollar's purchasing power. Under most difficult circumstances, businessmen managed to form more capital and improve production technology, and thus made available more and better economic goods which in turn helped to stabilize the dollar. Without this remarkable achievement by American entrepreneurs and capitalists, the U.S. dollar surely would have followed the way of many other national currencies to radical depreciation and devaluation.

Factors on the Side of Money

There also are a number of factors that affect the demand for money on the money side of an exchange. A growing population, for instance, with millions of maturing individuals eager to establish cash holdings, generates new demand, which in turn tends to raise the purchasing power of money and to reduce goods prices. On the other hand, a declining population would generate the opposite effect.

Changes in the division of labor bring about changes in the exchange value of money. Increased specialization and trade raises the demand and exchange value of money. The nineteenth century frontier farmer who tamed the West with plow and gun was largely self-sufficient. His demand for money was small when compared with that of his great grandson who raises only corn and buys all his foodstuff in the supermarket. Under a modern and a highly advanced division of labor, one needs money for the satisfaction of all his wants through exchange. It is obvious that such demand tends to raise the exchange value of money. On the other hand, deterioration of this division of labor and return to self-sufficient production, which we can observe in many parts of Asia, Africa, and South America, generates the opposite effect.

Development and improvement of a monetary clearing system also exert an influence toward lower money value. Clearing means offsetting payments by banks or brokers. It reduces the demand for money, as only net balances are settled by cash payments.

The American clearing system which gradually developed over

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more than 130 years from local to regional and national clearing, slowly reduced the need and demand for cash and thus its purchasing power. Of course, this reduction of the dollar's exchange value was negligible when compared with that caused by other factors, especially the huge increase in money supply.

Business practices, too, may influence the demand for money and therefore its value. It is customary for business to settle its obligations on the first of the month. Tax payments are due on certain dates. The growing popularity of credit cards reduces the need for money holdings throughout the month, but concentrates it at the beginning of the month when payments fall due. All such variations in demand affect the objective exchange value of money.

The Desires of Individuals for Larger or Smaller Holdings

The most important determinant of purchasing power of money under this heading of "money-induced factors" is the very attitude of the people toward money and their possession of certain cash holdings. They may decide for one reason or another to increase or reduce their holdings. An increase of cash holdings by many individuals tends to raise the exchange value of money, reduction of cash holdings tends to lower it.

This is so well understood that even the mathematical economists emphasize the money "velocity" in their equations and calculations of money value. Velocity of circulation is defined as the average number of times in a year which a dollar serves as income (the income velocity) or as an expenditure (the transaction's velocity). Of course, this economic use of a term borrowed from physics ignores acting man who increases or reduces his cash holdings. Even when it is in transport, money is under the control of its owners who choose to spend it or hold it, make or delay payment, lend or borrow. The mathematical economist who weighs and measures, and thereby ignores the choices and preferences of acting individuals, is tempted to control and manipulate this "velocity" in order to influence the value of money. He may even blame individuals (who refuse to act in accordance with his model) for monetary depreciation or appreciation. And governments are only too eager to echo this blame; while they are creating ever new quantities of printing press money, they will restrain individuals in order to control money velocity.

It is true, the propensity to increase or reduce cash holdings by

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many people exerts an important influence on the purchasing power of money. But in order to radically change their holdings, individuals must have cogent reasons. They endeavor to raise their holdings whenever they foresee depressions ahead. And they usually lower their holdings whenever they anticipate more inflation and declining money value. In short, they tend to react rationally and naturally to certain trends and policies. Government cannot change or prevent this reaction; it can merely change its own policies that brought forth the reaction.

The Supply of Money

No determinant of demand, whether it affects the goods side of an exchange or the money side, is subject to such wide variations as is the supply of money. During the age of the gold coin standard when gold coins were circulating freely, the supply of money was narrowly circumscribed by the supply of gold. But today when governments have complete control over money and banking, when central banks can create or withdraw money at will, the quantity of money changes significantly from year to year, even from week to week. The student of money and banking now must carefully watch the official statistics of money supply in order to understand current economic trends.

Of course, the ever-changing supply of money must not be viewed as a factor that evenly and uniformly changes the level of goods prices. The total supply of money in a given economy does not confront the total supply of goods. Changes in money supply always act through the cash holdings of individuals, who react to changes in their personal incomes and to changing interest rates in the loan market. It is through acting individuals that supply changes exert their influences on various goods prices.

In the United States, we have two monetary authorities that continually change the money supply: the U.S. Treasury and the Federal Reserve System. As of February 28, 1969, the U.S. Treasury had issued some $6.7 billion of money, of which $5.1 billion were fractional coins. The Federal Reserve System had issued $46.3 billion in notes and, in addition, was holding some $22 billion of bank reserves. Commercial banks were holding approximately $150 billion in demand deposits and some $201 billion in time deposits, all of which are payable on demand in "legal money," which is Federal Reserve and Treasury money.

The vast power of money creation held by the Federal Reserve System, which is our central bank

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and monetary arm of the U.S. Government, becomes visible only when we compare today's supply of money with that in the past. Let us, therefore, look at the volume of Federal Reserve Bank credit on various dates since 1929:

Date		*Total in Billions*
1929	June	$ 1.3
1939	Dec.	2.6
1949	Dec.	22.5
1959	Dec.	29.4
1969	Aug. 20	58.2

SOURCE: *Federal Reserve Bulletins.*

These figures clearly reveal the nature and extent of the inflation that has engulfed us since the early 1930's. The 1940's and again the 1960's stand out as the periods of most rapid inflation and credit expansion.

How Government Creates Money

Why and how do our "monetary authorities" create such massive quantities of money that inevitably lead to lower money value? During the 1940's, the emergency argument was cited to justify the printing of any quantity the government wanted for the war effort. During the 1960's, the Federal government through its Federal Reserve System was printing feverishly in order to achieve full employment and a more desirable rate of economic growth. Furthermore, the ever-growing public demand for economic redistribution inflicted budgetary deficits, the financing of which was facilitated by money creation.

How was it done? The Federal Reserve has at its disposal three different instruments of control which can be used singly or jointly to change the money supply. It may conduct "open-market purchases," i.e., it buys U.S. Treasury obligations in the capital market and pays for them with newly-created cash or credit. Nearly all the money issued since 1929 was created by this method. Or, the Federal Reserve may lower its discount rate, which is the rate it charges commercial banks for accommodation. If it lowers its rate below that of the market, demand will exceed supply, which the Federal Reserve then stands ready to provide. Or finally, the Federal Reserve may reduce the reserve requirements of commercial banks. Such a reduction will set Federal Reserve money free for loans or investments by commercial banks.

It does not matter how the new money supply is created. The essential fact is the creation by the monetary authorities. You and I cannot print money, for this would be counterfeiting and punishable by law. But our monetary authorities are creating new quantities every day of the week at the discretion of our government leaders.

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This fact alone explains why ours is an age of inflation and monetary destruction.

Variable Responses

The Quantity Theory, which offers one of the oldest explanations in economic literature, demonstrates the connection between variations in the value of money and the supply of money. Of course, it is erroneous to assume, as some earlier economists have done, that changes in the value of money must be proportionate to changes in the quantity of money, so that doubling the money supply would double goods prices and reduce by one-half the value of money.

As was pointed out above, changes in supply always work through the cash holdings of the people. When the government resorts to a policy of inflation, some people may react by delaying their purchases of certain goods and services in the hope that prices will soon decline again. In other words, they may increase their cash holdings and thereby counteract the price-raising effect of the government policy. From the inflators' point of view, this reaction is ideal, for they may continue to inflate while these people through their reaction may prevent the worst effects of inflation. This is probably the reason why the U.S. Government, through post office posters, billboards, and other propaganda, endeavors to persuade the American people to save more money whenever the government itself resorts to inflation.

When more and more individuals begin to realize that the inflation is a willful policy and that it will not end very soon, they may react by reducing their cash holdings. Why should they hold cash that depreciates, and why should they not purchase more goods and services right now before prices rise again? This reaction intensifies the price-raising effects of the inflation. While government inflates and people reduce their money demand, goods prices will rise rapidly and the purchasing power of money decline accordingly.

Passing the Buck

It may happen that the government may temporarily halt its inflation, and yet the people continue to reduce their cash demand. The central bank inflators may then point to the stability of the money supply, and blame the people for "irrational" behavior and reaction. The government thus exculpates itself and condemns the spending habits of the people for the inflation. But in reality, the people merely react to past experiences and therefore anticipate an early return of inflationary poli-

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cies. The monetary development during most of 1969 reflected this situation.

Finally, the people may totally and irrevocably distrust the official fiat money. When in desperation they finally conclude that the inflation will not end before their money is essentially destroyed, they may rush to liquidate their remaining cash holdings. When any purchase of goods and services is more advantageous than holding rapidly depreciating cash, the value of money approaches zero. The money then ceases to be money, the sole medium of exchange. When government takes control over money, it not only takes possession of an important command post over the economic lives of the people but also acquires a lucrative source of revenue. Under the ever-growing pressures for government services and functions, this source of revenue – which can be made to flow quietly without much notice by the public – constitutes a great temptation for weak administrators who like to spend money without raising it through unpopular taxation. The supply of money not only is the best indicator as to the value of money, but reflects the state of the nation and the thinking of the people.

IDEAS ON LIBERTY

Debauch the Currency

LENIN is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate *arbitrarily;* and while the process impoverishes many, it actually enriches some. . . . As the inflation proceeds and the real value of the currency fluctuates wildly from month to month, all permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery.

JOHN MAYNARD KEYNES
The Economic Consequences of the Peace (1920)

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Unknown Costs of POLLUTION

HOWARD CALLAWAY

AIR AND WATER pollution do not raise basic philosophical or theoretical questions but nevertheless puzzle many libertarians. Can it be that there is no answer within a framework of voluntary agreement and that necessity requires regulation by government? Such problems present a clear challenge to the ideal of freedom and obviously require an answer.

Air and water pollution are a definite threat to the structure and continuation of urban, industrial civilization; they cannot and should not be underestimated. The quality and purity of this nation's rivers and streams and air are continually deteriorating, but little has been done to correct the situation.

Mr. Callaway is a junior, with a major in philosophy, at the Pennsylvania State University. This article is slightly condensed from the July, 1969, *Commentary on Liberty*, published by the Philadelphia County Young Americans for Freedom.

At issue here is the concept of "rights" and its proper extension. Air being a "free" good, does not a businessman have the right to use it as he sees fit? By the same token, does not the ethical conflict of this issue derive from an implicit assumption that everyone else has a right to clean air? The concept of human rights has changed over the years but can be recognized in writings going back at least to John Locke. On the other hand, air and water pollution on such a grand scale as we are experiencing today are relatively new problems. In view of this, the new facts of air and water pollution require an extension of the concept of rights.

Perhaps one reason why these problems have not already been solved is the loss of prestige which common law has suffered at the hands of this century's invigor-

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ated legislatures. Some forgotten judge presiding over a case of damage due to air pollution might have solved this question long ago. A precedent, once set, might have avoided this problem as it looms today. In any case, the question remains, and the answer is not really so difficult as it may seem.

Assessing the Damage

Consider a small stream flowing through two properties. It seems clear that neither owner could claim the rights of property over the water of that stream in the same sense that they own the land. If one of them were to take a glassful, the water in the glass would be his, in the same sense as any other property, as soon as he lifted it out of the stream. Without prior agreements, however, the upstream property owner would not have the right to block the flow of the stream or to redirect it so that it would no longer pass through the land of the downstream man. Neither would one have the right to pollute the water of the stream so that it would be no longer usable by the other.

Unused water that flows down the stream belongs to no one so long as it is not used. Now, suppose that the man upstream opened some sort of mill or plant which had the side effect of polluting the stream. This business produces a product which the owner sells. Since this is a new product, the owner of the plant does not know that he is polluting the water as a result of his process. And since the amount of pollution is small, the man downstream may take no notice of the change in the quality of the water which is passing through his land and make no complaint. Everything continues smoothly between the two men.

Now, suppose the new product attracts customers and the owner greatly increases his production. With this, the level of pollution in the stream greatly increases and the water becomes unfit for the purposes of the second property owner. Up to this time, the effect of the upstream plant upon the quality of the water in the stream is an unknown cost being borne by the man downstream in terms of lower quality water. It is when the level of pollution can be noticed that this heretofore unknown cost becomes evident.

Obviously, there could have been no legal protection against a form of damage of which no one had knowledge. In the hypothetical case just cited, the downstream man could not ask that his neighbor be prosecuted, since no law could have been written to cover this specific type of damage. However, the situation could have been handled very neatly through a civil

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action in which a judge would have been required to make a new application of the concept of property rights.

The damage done to the quality of water in the stream came as an effect of the process of production and the owner of the business should be held liable for the cost. This unknown cost, once it is recognized, should be paid by the owner of the plant. At first, it might take the form of damages paid to the man downstream. But one could foresee that the owner of the plant would likely install some equipment which would clean the water before it was returned to the stream. The cost of this new process, and of the damages which would otherwise be paid to his neighbor, would then appear as a part of the cost of production which would likely be reflected in an increase of the unit price of the product.

The same basic analysis applies as well to air pollution and to any such cost of production which had been previously unknown. In a sense, we are all the downstream man in respect to those great industries or in respect to the automobile users who are polluting the air.

The situation becomes more complicated when we consider the case of a large steel plant upriver from several towns and cities. There might be thousands of people who had access to the river and who would thus be deserving of compensation for their losses. The same applies to those who live downstream from a municipality which continually dumps tons of raw sewage into the water. In regard to the air, it becomes evident, on application of this principle, that we all live "downstream" from each other and that any pollution of the air which damages another demands retribution.

It should be noted that many industries might not be able to pay costs of production which they have thus far been able to shift onto their neighbors. However, this is no argument against the principle involved here. These costs are paid by someone in any case. The recognition of an otherwise unknown cost in the production of some item and in the sales price merely allows the consumer to accurately value that product in relation to other things available.

The Role of the Courts

If the courts were to begin to award damages to those affected by these various problems, I think this could not be construed as government regulation of industry. The distinction between this proposal and many of the others which have been considered goes

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back to the unwarranted distinction between civil and criminal law. Criminal law is conceived in the judicial systems of the world as applying to an act which offends society in general, while civil courts are supposed to deal with cases in which an individual is damaged. It seems obvious that this is an unfounded distinction. If "society" is offended or damaged by the actions of an individual it must be through the effect of this action upon some other individual(s). The fact that laws against air pollution have been written as criminal laws has allowed many persons to continue in their old methods. Where it might cost a great deal to eliminate some source of pollution, many corporations have been faced with the almost pleasant alternative of being dragged into court to pay perhaps a hundred-dollar fine twice a year.

Perhaps the best method of eliminating pollution is through the use of court injunctions. If giant industries or municipal utilities found that their entire production could be halted by the act of a single affected individual, the cost of eliminating the pollution they cause might seem small indeed.

Not the Innocent, But the Guilty, Should Pay

The longer this day of reckoning is put off, the larger will be the cost of eliminating such unknown costs as are now being paid by the innocent. It is impossible to calculate the damage which has already been done. In addition, the free ride which the pollution producers have enjoyed at the expense of everyone else has brought untold distortions into society. All of the products of these industries have been underpriced and overproduced at the expense of those industries which do not produce pollution. Suppose the automobile industry had been obliged to compete with other forms of transportation under condition that each form pay in full to eliminate any pollution it caused! In effect, the failure of the courts to award damages to those affected by pollution is an intervention by default and should be considered as such.

As long as the possibility of change exists (as it must in a free economy or free culture) unknown costs of all types will continue to crop forth. This will require a persistent extension of the meaning of freedom in ways which cannot be fully foreseen and ought not be foreclosed.

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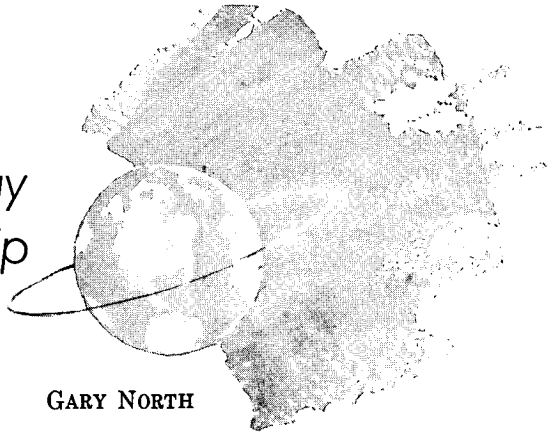
The Mythology of Spaceship EARTH



GARY NORTH

THE FLIGHT of Apollo XI was probably the most stupendous technological achievement of the decade. (Unquestionably, it was the most stupendous bureaucratic achievement of the decade: scheduled for 1969, it actually took place in 1969!) Editorials in every paper in America, I suppose, have lauded the flight as the monument to the capacities of mankind to conquer nature and order our affairs, the assumption being that the ability to fly a rocket implies the ability to organize a society, in theory if not in practice. The flight has brought to the forefront that old cliché, "Man's scientific wisdom has outrun his moral wisdom"; we can go to the moon, yet somehow we have failed to solve the problem of mass poverty in the United States.

The gap between moral wisdom and scientific knowledge has been a problem since the scientific revolution of the sixteenth century. Immanuel Kant, writing in the late 1700's, struggled mightily with this very question: How can man bridge the intellectual chasm between scientific knowledge (the realm of law and necessity) and moral knowledge (the realm of freedom and choice) without sacrificing the integrity of one or the other? Hegel, Marx, and the modern moral philosophers have all lived in the shadow of this dilemma, and the crisis of modern culture reflects man's failure to resolve it. The responses to this dilemma, as a rule, take one or the other of two forms, symbolized

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by Arthur Koestler as the Commissar on the one hand, and the Yogi on the other.

The Commissar is enraptured with science and technology; he is confident that scientific planning in proper hands can so alter man's environment as to bring about a new earth and a new mankind. The Yogi takes the opposite tack of disengagement from "the world," laying stress on each man cultivating his own garden. Find inner peace, he urges, and the external world will take care of itself. His assumption is that science and technology are neutral, that developing from their inner imperatives they will eventually find their own benevolent level.

But this assumption is invalid because the planners won't let it happen this way. Once accept scientific planning as a legitimate and even necessary function in a society and any form of "spirituality" which assumes the impotence of moral concepts in the social and economic affairs of men is helpless before the planning elite. If a change in the hearts of men only has impact on their internal lives, then the external realm of science is left free to do its "neutral" best. Unfortunately, the planners can never be neutral; hence, their application of technology to the affairs of men cannot be neutral. Planning involves the allocation of scarce resources, and some programs must be accepted while others are rejected. The planners must use a scale of values — nonempirical, a priori moral values — in the administration and formulation of their plans. Hayek's arguments along these lines in his *Road to Serfdom* (1944) have laid the question to rest. Unless one's moral commitment involves a view of external reality, one will remain helpless to reverse the course of external affairs. For this reason, those who counsel retreat from the world actually cooperate with the drift into totalitarian planning.

From the Moon to the Earth

During the week of the moon shot, I fully expected some local television station to show George Pal's 1950 classic, *Destination Moon*. Sure enough, a Los Angeles station presented it one evening. No doubt it was shown in other cities around the country. I missed it this time, but I have seen it often enough to reproduce some of its dialogue verbatim (the dialogue, however, was considerably inferior to Pal's special effects). Tom Powers played a military man whose rocket programs kept producing failures. He finally is able to convince John Archer, a captain of private industry, to construct the rocket that will get the job done.

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The message: only American private enterprises can get us to the moon.

That was great stuff in 1950. Yet the reality is far, far removed in 1969. The moon shot was, by its very nature, a task for the state. Private firms could be contracted, but the NASA officials were behind it, financially and administratively, from start to finish. Tom Wicker, writing in his nationally syndicated column, put the fact in all its clarity: "No one ever made the remotest pretense that men could get to the moon via free enterprise, states' rights, rugged individualism, or matching grants."[1] The reason: ". . . this was government-managed enterprise, pointed toward an agreed goal, operating on planned time and cost schedules, with ample administrative authority derived from Federal power and wealth." An amen is due here. Good show, Mr. Wicker.

Mr. Wicker, unfortunately, made a great leap of faith when he began to compare our heavenly achievement with our supposed capabilities for solving more earthly tasks. He was not alone in this leap. Editorial after editorial echoed it, and I single him out only because he is widely read and generally regarded as one of the superior liberal pundits. He makes the leap seem so plausible: "So the conclusion that enlightened men might draw is that if the same concentration of effort and control could be applied to some useful earthly project, a similar success might be obtained." He recommends a vast program of publicly-owned housing construction, say, some 26 million new units by 1980.

Flora Lewis' column was far more optimistic; her horizons for mankind's planning capabilities are apparently much wider. "If the moon can be grasped, why not the end of hunger, of greed, of warfare, of cruelty?" She admits that there are problems: "They seem provocatively within our new capacities and yet maddeningly distant. We are told it is only lack of will that frustrates these achievements, too."[2] Nature is boundless, apparently; only our "lack of will" prevents us from unlocking the secrets of paradise and ending the human condition as we know it. This is the messianism of technological planning. It is basic to the thinking of a large segment of our intellectuals, and the success of the Apollo flights has brought it out into the open.

Mr. Wicker wisely set for our

[1] Tom Wicker, Riverside, Calif. *Press*, July 22, 1969.

[2] Flora Lewis, Los Angeles *Times*, July 22, 1969.

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government a limited goal. Miss Lewis does not necessarily limit the task to government planning alone, but it is obvious that she is basing her hopes on a technological feat that was essentially a statist project. At this point, several questions should be raised. First, should the state have used some $25 billions of coerced taxes in order to send two men to the moon's surface? Would men acting in a voluntary fashion have expended such a sum in this generation? In short, was it worth the forfeiting of $25 billions worth of alternative uses for the money? Second, given Mr. Wicker's plans, could we not ask the same question? Is the construction of public housing, and the use of scarce resources involved in such construction, on a priority scale *that* high in the minds of the American public? Would a non-inflationary tax cut not be preferable?[3] It is typical of socialistic thinkers to point to emergency spending (e.g., a war) or some statist rocket program and recommend a transfer of funds from one branch of the state's planning bureaucracy to another. I have never heard them recommend a reduction of spending by the state. Spending precedents set in wartime, like "temporary" taxes, seem to become permanent. Finally, in Miss Lewis' example, is the mere application of the techniques of applied science sufficient to end warfare and cruelty? Or could it be, as the Apostle James put it, that our wars come from the hearts of men?[4] Conversion, in and of itself, may not redeem technology, but can Miss Lewis be so certain that technology can redeem mankind?

The Limits of Technology

Technology is a tool. Like any tool, it has its limitations. One must be very careful to keep from using an inappropriate tool to complete some task. It makes it imperative that the user specify the exact nature of his task beforehand.

Any standard economics textbook will usually compare economics with engineering. The contrast is not perfect, but it does set before the reader the different ways an economy must plan. The engineer must decide, *given a specific goal,* how to allocate the available resources to complete it. The economist must look at the available resources, and decide where to allocate them, given a *multiplicity of goals.* In some cases, it will be difficult to separate the two jobs, but the distinction is

[3] Cf. Gary North, "Urban Renewal and the Doctrine of Sunk Costs," THE FREEMAN (May, 1969).

[4] James 4:1.

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useful for purposes of conceptualization.

The Technocrats of the 1930's urged us to accept the economic guidance of the engineering elite. They would eliminate "waste." Yet the engineers of the Soviet Union have been forced to construct crude economic accounting techniques in order to deal with such "capitalistic" phenomena as value and the rate of interest. Engineering – meaning specialized, technological competence – cannot deal with such psychological imponderables as consumer preferences. Only the price mechanism of a free market can do this with any degree of accuracy, which is why Ludwig von Mises rejects socialist planning.[5] If we confuse engineering with economic calculation, we will destroy the rational allocation of scarce resources by the market. It would involve turning over the task of ordering literally quintillions of economic relationships to a centralized elite with necessarily limited knowledge.[6] The results can be predicted: irrational decisions, petty bureaucratic coercion, and a loss of political freedom.

Governments can provide certain services that, by their very nature, men do not want to see offered to the highest bidder, as on a free market. Justice is not to be purchased for the profit of the judges involved. Governments are seldom efficient in solving complex, interpersonal problems that require a *careful balancing* of supplies and demands (for they are plural until registered, specifically, on a market, by a given supplier and a specific purchaser); when personal preferences of many individuals involving varied and even conflicting goals are the issue, governments are not particularly successful agents for getting things settled. The fine shadings are lost in the aggregate decisions.

A Leap of Faith

Therefore, to take a leap of faith from some particular instance of a "successful" government project – success defined as the operationally satisfactory completion of a certain unquestioned goal – to the realm of economic planning involves a faith far greater than anything imagined by the medieval scholastics. Yet Dr. Irving Bengelsdorf, a staff writer with the Los Angeles *Times*, thinks that "there may be hope" along this line of thinking, in spite of the difficulties inherent in any computerized quantification of qualitative personal preferences. He states the problem well;

[5] For a summary of this literature spearheaded by Mises, see my chapter on "Socialist Economic Calculation," in *Marx's Religion of Revolution* (Nutley, New Jersey: Craig Press, 1968).

[6] *Ibid.*, p. 193.

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he cannot show how his answer is linked operationally with the problem he states:

> In contrast to the novel and uncluttered venture of getting to the moon, [an] uninhabited, non-social, non-political moon, the problems of society are exceedingly complex to solve because any solution demands that people have to change their daily ways of life, their interactions with other people. This is difficult to do. For, from birth, people already come overlaid with traditional prejudices, encrusted with hoary cultures, and swaddled in ancient customs. And these are hard to change.
>
> But, there may be hope. Both the Apollo 11 flight and the Manhattan Project of World War II show that once a clear goal has been set, a vast, complex project involving large numbers of people with different training and skills working together can achieve a solution.[7]

Between the first paragraph and the second lies a social revolution. Also present in the gap is the unstated assumption that we can reduce the complexities of society to "a clear goal," which is precisely the problem governments have not learned to solve. I am at a loss to see how a wartime bomb project or a trip to the moon indicate anything except the amazing capacity for spending that governments possess.

[7] Irving S. Bengelsdorf, Los Angeles *Times*, July 24, 1969.

Spaceship Earth

Barbara Ward, one of the most respected Establishment thinkers in Britain, and former editor of *The Economist*, has taken Buckminster Fuller's spaceship analogy and has turned it into an effective neo-Fabian propaganda device: "The most rational way of considering the whole race today is to see it as the ship's crew of a single spaceship on which all of us, with a remarkable combination of security and vulnerability, are making our pilgrimage through infinity."[8] This assumes, of course, a chain of command, a previously agreed upon destination, and some shared faith in the way one goes about getting there. But what are a few assumptions among rational men, especially planners? Now, fellow crewmen, "Think what could happen if somebody were to get mad or drunk in a submarine and run for the controls. If some member of the human race gets dead drunk on board our spaceship, we are all in trouble. This is how we have to think of ourselves. We are a ship's company on a small ship. Rational behavior is the condition of survival." Clearly, as she points out, "Rational rules of behavior are what we largely lack."[9] All is

[8] Barbara Ward, *Spaceship Earth* (New York: Columbia University Press, 1966), p. 15.

[9] *Ibid.*

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not lost, however. Our divisions are based on divisions of power, wealth, and ideology, but these can be overcome through reason. There is a universal means of instant communication — technology — which brings us together.[10] "Quite apart from common tools and methods, we also have mental attitudes that do not vary from culture to culture and are common to a single world civilization."[11] What these common bonds are, she fails to mention; nevertheless, "in short, we have become a single human community."[12]

The problem with all of this "spaceship reasoning" is that it assumes as solved those fundamental problems that need solving in order to make possible the spaceship analogy. The thing which strikes me as ironic is that the language of the spaceship involves a chain of command approach to the solution of human problems. Those humanitarian intellectuals who decry the petty military dictatorships in underdeveloped nations want to impose a massive system of command over the whole earth. That is what the call to world government implies.[13] The spaceship analogy necessarily views society as a vast army. Yet for some reason, Hayek's identical conclusion about the implications of socialist planning is invariably rejected as absurd. *It is the mentality of the militarist.* Miss Ward even is willing to admit that our experiences in wartime helped to create the foundation of modern economic policy:

> Thus, not by theory or dogma but largely by war-induced experience, the Western market economies have come to accept the effectiveness and usefulness of a partnership between public and private activity. . . . but there is now no question of exclusive reliance on any one instrument or any one method. The pragmatic market economies have worked out their own evolving conceptions of public and private responsibility and the result is the dynamic but surprisingly stable mixed economy of the Western world.[14]

The Chaos of Noneconomics

I would have put it a different way. I would have pointed to the signs of our contemporary system's increasing inefficiency, corruption, and extralegal practices which we more usually associate with those warfare economies from which she says we borrowed our planning techniques. What we have created is a noneconomics, and Miss Ward proclaims the benefits of such a system:

[10] *Ibid.*, p. 4.
[11] *Ibid.*
[12] *Ibid.*, p. 14.
[13] *Ibid.*, p. 17.
[14] *Ibid.*, pp. 9-10.

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But, on the whole, in economics the Western world can move from position to position with little sense of contradiction and incompatibility. We had no very fixed views before so we do not have to bother too much about what we believe now. It is a considerable source of strength.[15]

This, then, is "reason, spaceship style." It is the triumph of intellectual chaos, and it is inevitably recreating the economy in its own image.

Grounding the Ship

Dr. William G. Pollard, a physicist who was a part of the Manhattan Project, has written a little book which tries to undergird the spaceship analogy with a theological framework. His theology is radical, but he is honest in seeing the purpose of the Apollo flights as being ultimately religious. He thinks it marks the end of the era of science-worship. Diminishing marginal returns are about to set in:

> Sending men to the moon and bringing them back in 1969 may prove to be from the perspective of the twentieth century the central symbol of the golden age of science in the twenty-first. Like the great pyramids of Egypt or the lofty cathedrals of medieval Europe, this feat will stand out as a peak expression of the spirit of the golden age; the maximum economic investment which a great civilization could make in a feat which served no useful purpose other than making manifest the lofty height to which the spirit of an age could rise. It will not be worth repeating except perhaps by Russia for the purpose of sharing in its glory. Thereafter, even more massive applications of science and technology to basic human needs will have become so urgently necessary that no further diversion of available talent and resources to manned space flights can be permitted.[16]

We can hope that he is correct, but who knows for certain? The government was so successful, as it usually is, in achieving a feat "which served no useful purpose" other than its own glory, that we may have more of the same. But this much should be clear: the analogy of spaceship earth is more than an analogy; it is a call to religious commitment. The call is to faith in centralized planning.

At the beginning of this essay, I pointed to the dual theories of regeneration, symbolized by the Yogi and the Commissar. They feed on each other, take in each other's intellectual washing, so to speak. If we are to confront the mythology of spaceship earth, it must be in terms of a rival moral philosophy, one which has social

[15] *Ibid.*, p. 10.

[16] William G. Pollard, *Man on a Spaceship* (Claremont, Calif.: Claremont Colleges, 1967), pp. 59-60.

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and economic implications, as well as technological implications. We must deny the validity of any vision of man as central planner, a little god who would arrange in an omniscient fashion the lives of all men in all the spheres of their existence, as if we were some permanent military crew. We must acknowledge the validity of the late C. S. Lewis' warning in *The Abolition of Man* that when we hear men speaking of "man's taking control of man," we should understand that it implies certain men taking control of all the others.

When men seek to divinize the state, they succeed merely in creating hell on earth. The Christian church fought this point out with the Roman Emperors, both pagan and Arian. The state may not claim to be God's exclusive or even chief representative on earth.[17] The theology of spaceship earth would have us return to the religious political theory of the ancient world, all in the name of progressive technology and planning.

The astronauts are back on earth. We must seek to keep them here. It is time to ground our spaceship programs, both interplanetary and domestic. Let the captains go down with their ideological ship. There are better ways of allocating our scarce resources than in constructing spaceship earth.

[17] R. J. Rushdoony, *Foundations of Social Order* (Nutley, New Jersey: Craig Press, 1968).

IDEAS ON LIBERTY

Economic Growth

THE ONLY POSITIVE WAYS the government can use to attempt to promote economic growth are to tax, inflate, spend, and control – that is, to leave you with less real money to spend, and to restrict the ways you can spend what you have left. Thus, we are clearly not choosing the means and policies that will increase the long-time production of goods and services that we consumers want and are willing to pay for. I am convinced that the only possible way to accomplish that goal is to reject *totally* the restrictive influence of government controls and ownership and deficit spending, and to return to the free market economy that is the hallmark of a responsible and prosperous people.

DEAN RUSSELL

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Good sense makes good business!

HELEN BUGBEE

"FOOD AND TELEVISION are American necessities," proclaimed an ad from a firm of stockbrokers who were looking forward to the investment opportunities offered by proposals to exempt "the poor" from Federal income taxes.

Maybe the writer of that ad couldn't tell the difference between a television set and a necessity, or maybe he merely finds it convenient for selling purposes to redefine every luxury as a necessity as soon as most Americans can afford it. But there are many Americans whose view of reality is so dim that they really can't see the difference. They are the ones who worried Dr. Edward A. Piszczek, then president of the Illinois State Medical Society, when he complained a few years ago of "the popular notion that a man should spend what he earns for his pleasures rather than his needs. A man should buy a television set, a trip to Florida, or a sports car, so this reasoning goes, because this is his cardinal right. But someone else should pay for what he really needs, such as his life or his health. . . . And if no one else will pay for it, the doctor should serve him for nothing."

The distinction between a necessity and a television set was perfectly clear to Dr. Piszczek—as it is to anyone with a firm grip on reality. His interest in keeping the distinction clear in the minds of people who might buy television sets and then fail to pay doctor bills was obviously different from that of the broker who wants to

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sell stock in companies that deal in television sets.

But brokers who deal in investments, as well as companies that deal in television sets and other products, also share an interest in ensuring the perpetuation of a society in which they can do business. And that interest might well take priority over the urge to sell their products! Before they add to the confusion of people whose grip on reality already is weak, they might consider the current threats by some of the poor against the society in which businessmen are trying to operate. They might ask themselves how those people got the idea of what they claim as "rights."

In a society so affluent that it can be contended, with almost no dissent, that a television set is a necessity – even for the poor – there must be something about the poor that makes and keeps them that way. It must be a deficiency either in their ability and willingness to earn money or in their ability and willingness to manage it. The latter often stems from a failure to accept the reality that 2 plus 2 make 4 and cannot make 6 or 8 or 10. And if their grip on reality is that weak, it may be dangerous to redefine as a necessity each new luxury that is brought within the reach of most people by mass production!

From Luxuries to Rights

It's a short step from calling a luxury a necessity to calling it a right. In the short time since Dr. Piszczek made his complaint, the product he deals in – medical care – has been made a "right" for the "medically indigent." That means that the rest of us must pay for their care with our tax money.

Before businessmen get too eager to turn television sets into necessities and to sell these and other desirable products to people who are about to be exempted from taxes, they well might ponder whether they want these luxuries-become-necessities turned into "rights," with the burden on businessmen and other taxpayers increased to pay for them (or to pay for police protection if the "rights" are not granted).

It's good business, of course, for businessmen who have goods and services for sale to look at the opportunities for profit in almost everything that happens; but it's also good business to take account of the dangers that accompany the opportunities! The broker's ad spoke of "companies selling consumer goods and services" as "the particular beneficiaries" of the tax cut for the poor, and held out to investors in such companies the prospect that "2.2 million Americans will have $700 million more to spend. . . . And not only will

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they have more money to spend. With more money they'll be able to borrow more money." Among companies that stand to benefit, said the ad, are companies that "deal in everything from food, soft drinks, girdles and TV sets to installment and housing loans."

One man in the installment loan business, Ernst A. Dauer, director of credit studies of Household Finance Corporation, showed his awareness of the dangers that accompany such opportunities when he told a seminar of the National Industrial Conference Board recently of the need for "constant attention by credit managers" to the credit worthiness of borrowers. Consumer installment debt, he said, has grown 125 per cent in the last nine years. That's 1½ times as fast as the national product has increased, and Mr. Dauer predicted that installment debt would grow another 122 per cent by 1980. One wonders how Mr. Dauer would rate the "credit worthiness" of people who have been declared "medically indigent" so the taxpayers will pay their medical bills. Should they be granted credit, say, for a television set?

Of course, businessmen can't be expected to forget their business or to act as though their prospective customers were simple-minded and in need of a protector. Customers would resent that idea as much as businessmen would. However, no one should single out the poor as the simple-minded when it's reported that businessmen are mailing credit cards to welfare clients, and when businessmen add to the confusion of brains already dangerously addled by promoting the ideas that nonessentials are necessities and that buying power can be increased by using part of it to cover finance changes.

Earn More and Get More

Some of the so-called rights that some of the poor are demanding, and some of the threats and actions they are using to enforce their demands, suggest that the only possibility of keeping our society viable and prosperous is to clear up their confusion and show them how to earn more money and get more for it. Some of the demands being made are so fantastic that few businessmen would take them seriously. However, President Nixon's proposals for a "family assistance" system should suggest that even far-out demands be viewed seriously. Not so many years ago, only left-wing periodicals took seriously any proposal for a guaranteed income.

President Nixon's proposals differ from the guaranteed income by requiring work or an attempt

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at work before a family would be eligible for $1,600. In today's market $1,600 doesn't sound like much, and most people would agree that a family should have at least that much. But it would cost taxpayers $4 billion to guarantee that minimum, and hardly any of the people who believe families should have $1,600 would expect to pay for it by reducing their own consumption. Instead, they'd make every effort to shift the burden of increased taxes to their employers or their customers through wage increases and price increases, thus reducing the value of the $1,600 grant. Then the poor would feel cheated and demand more "rights."

This may happen over and over, as it has happened when previously legislated benefits have left the beneficiaries as poor as they were before. The dollars received have gone up, but so have the dollars received by everyone else. And no matter how many times their dollar incomes are raised, the poor will find themselves as far behind as they were before, since everyone else gets an increase, too. The poor still won't be able to buy the latest luxury-become-necessity, whatever it may be, and will demand another increase. Sooner or later their demands or their anger will destroy us through economic breakdown, revolution, or both – *unless* they come to understand that even an affluent society cannot deliver more to its people than its people produce, and that the best way for one to have as large a share of the nation's output as he thinks he should is to increase his earning power and make the best use of his buying power.

The Cost of Credit

It is to be hoped that those who wish to sell to the rural and urban poor may find a better approach more sound than the one a Chicago bank used some time ago to sell its revolving credit program:

> The man who spends only what he has doesn't have much. Waiting till you accumulate enough cash before you make a major purchase such as a dishwasher is like waiting till you can afford to get married. You don't. And the bitterest pill is having to watch others enjoy their possessions while you wait . . . and wait. . . .

That's quite a sales argument. Most people would like to believe there's some magic way a man can spend more than he has this year without spending less than that next year to pay bills. It's mentally easier to accept that pipedream than to face the fact that neither credit merchants nor other lending institutions give away credit. They sell it at a price, whether it's called interest or carrying

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charges or something else. And the amount paid for credit is money that can't be spent for products. So the man who hopes to increase his buying power by spending more than he has shrinks his buying power instead. The only way a man can spend beyond his means without shrinking his buying power when the debts fall due is to welch on those debts. It's hard to believe any businessman welcomes such behaviors, though growing numbers of debtors are filing in bankruptcy. The National Consumer Finance Association calls personal bankruptcies "a growing concern." Certainly, the complex credit mechanism that is supposed to sustain our affluent society would break down if businesses could not count on credit customers to meet their obligations.

American Families Already Overburdened by Debt

Of those American families where the breadwinner is under 35, the average already is carrying debts adding up to 81 per cent of a year's income; and families with breadwinners between 35 and 54 are not far behind, with debts totaling 78 per cent of a year's income. Morris Rabinowitch, president of Financial Counselors, San Francisco, estimated last year that one third of American families were overextended in debts and on the brink of serious trouble. More recently, John Vincent Neeson, San Francisco management consultant, said that "the average family, in terms of its earning income, is within six weeks of bankruptcy."

So, businessmen may be asking for trouble that will blow up in their faces when they encourage people who are thought to need tax relief and help with school lunches and medical bills to spend money and even go in debt for things they might do without.

Not every businessman has the same incentive as the Chicago savings and loan association that ran a full-page ad recently under the heading "Inflation? . . . it's up to you." Its message was:

> What's the best strategy to cope with inflation? It's based on two kinds of know-how – how to get the most from your income and how to handle your surplus funds. Inflation is a signal to postpone some of your spending plans and scale down others. If you don't, at the end of each week or month, you may be increasingly short of cash or a notch deeper in debt.

Some advertisers might question the willingness of people who need such a message to read all about planned spending, supermarket shopping, consumer credit,

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and investment of surplus funds. It's far easier, of course, to believe in fairy tales than to accept statements like the following:

> Consumer credit is costly. . . . For many, the easiest way to reduce expenses is to cut down on credit buying. The family that remains in debt with installment payments for cars, appliances and other consumer goods loses purchasing power in two ways. First, interest and carrying charges greatly increase the total cost. And second, the credit buyer loses the extra interest income his money could earn in a savings account while he saved for a cash purchase.

It's also easier to peddle the nonsense that everyone can have more than he earns than to talk the kind of sense that requires thought. But a free society cannot survive at a high level of development unless its people begin to think and to understand what they're doing. H. G. Wells wrote shortly after World War I in his *Outline of History:*

> Human history becomes more and more a race between education and catastrophe.

Fifty years have passed, and catastrophe is close upon us. Have we time to win? Perhaps not. People might not listen if we do talk sense. But we can't know for sure unless we try. And there is this powerful incentive: Showing people how to manage their affairs intelligently will not only preserve and improve our society but will generate profitable business in the process.

IDEAS ON LIBERTY

Ludwig von Mises

CAPITALISM has improved the standard of living of the wage earners to an unprecedented extent. The average American family enjoys today amenities of which, only a hundred years ago, not even the richest nabobs dreamed. All this well-being is conditioned by the increase in savings and capital accumulated; without these funds that enable business to make practical use of scientific and technological progress the American worker would not produce more and better things per hour of work than the Asiatic coolies, would not earn more, and would, like them, wretchedly live on the verge of starvation. All measures which — like our income and corporation tax system — aim at preventing further capital accumulation or even at capital decumulation are therefore virtually antilabor and antisocial.

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William Henry Chamberlin

1897-1969

READERS of these pages during the past three decades have become familiar with the name of William Henry Chamberlin. Few of them, however, came to know the man.

Though he wrote nearly a score of books, he remained essentially a newspaperman. In a career that spanned half a century, he traveled extensively, meeting people, asking questions, shaping and reshaping his own views.

In 1922, at the age of 25, he went to Moscow for the *Christian Science Monitor*. While he was at first strongly sympathetic toward the Soviet regime, he was soon disillusioned by Stalinism's harsh reality.

After a dozen years the *Monitor* moved Mr. Chamberlin to the Far East, where he saw the rise of Japan's militarism. In 1939 he shifted to France, leaving only after Germany's Nazi armies occupied the country. Few men saw so much of the dark forces that were driving the world toward war.

Through it all Mr. Chamberlin remained ebullient, ever confident that man, given time and proper leadership, could find his way through the wilderness. Well past the age when most men retire, he was still plying his newspaper trade.

On a working trip to Europe he stopped for a few days in Switzerland where, while walking a mountain trail, he suffered the stroke that brought his death. Saddening though it is, there is solace in an exit that is so perfectly in character.

Editorial from *The Wall Street Journal*,
September 16, 1969

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The following excerpts are from Mr. Chamberlin's article in the May 1959 *Freeman:*

The Supreme Issue: The Individual versus the State

WHEN the State goes beyond its proper functions of maintaining law and order at home and providing protection against foreign aggression, and starts to assume the role of a universal provider and regulator, it never knows when to stop. One arrogation of power leads to another, and the planned economy quickly develops into the totalitarian State. . . .

Gone are the days when sturdy Grover Cleveland — rejecting a proposal to provide government compensation for farmers whose crops had been damaged by hail — remarked, in substance, that while the people should support the government, the government should not support the people. Now, it is no exaggeration to say that governments in many fields do undertake to support the people, or certain groups of the people. This task is very expensive, requiring taxation on a scale that formerly would have been considered fantastically impossible. It also necessitates far-reaching controls. One is reminded of Alexis de Tocqueville's "immense and tutelary power," which would rob the human race of all initiative and self-reliance, which would labor for their happiness, but choose to be the sole agent and the only arbiter of that happiness, which would "spare them all the care of thinking and all the trouble of living". . . .

The Soviet Union, where the combination of political dictator-

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ship and economic collectivism has prevailed consistently despite minor shifts in tactics and policy, has been a false beacon light to leftwingers in America and Western Europe ever since it was established in November 1917. . . .

From the cradle to the grave the Soviet citizen is conditioned by propaganda and, through a rigidly authoritarian school system, is assigned or directed or channeled into the work the State thinks he should take up. The horrors of forced labor under Stalin, the worst kind of slavery, have abated. This is not because his successors are more humane than the deceased dictator. But they realize that the former system of overworking and half-starving millions of people in Arctic slave labor camps is too wasteful in manpower for a country that is feeling the effects of tremendous war losses in its present low birth rate. However, large numbers of people, if not actually kept behind barbed wire, are forcibly detained in remote places where they are forced to work at the tasks assigned to them.

It is a great pity and irony that just when the strength of the United States lies in being as different from the Soviet Union as possible, in adhering firmly to the principles of the free market, consumer free choice, maximum opportunity for the individual, there are voices in this country that use a mistaken fear of Soviet economic competition as an argument for driving us further along the path toward economic statism.

Apart from the threat of military attack, which is a question in itself, the only thing we need fear from the Soviet economic pattern is that we should imitate or adopt it, even in part. Only if and as we maintain in our own lives the historic American principles of individualist opportunity in economics and other fields shall we worthily fill our historic destiny as champions of the principle that the State should be the servant of its citizens, not the master of its subjects. ❀

William Henry Chamberlin

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THE WAR ON THE POOR

If the American Republic is to go down the drain, it will be because 200,000,000 people, give or take a few hundred thousand, are taken in by the "post hoc, ergo propter hoc," or "after this, therefore because of this," way of looking at everything that has been happening since the days of the New Deal. Our country is obviously prosperous: it sends men to the moon, it throws money away all over the globe; it enables 400,000 kids to idle away their time sitting around a Catskill pasture and soaking up rock music and marijuana fumes; it keeps a big population in college so that they may take their exercise in demonstrating and in throwing the deans downstairs. So, since the New Deal response to the 1929 depression came first in time, this response – and the many extensions of the "government aid" principle that have followed – must, so the argument goes, be the cause of all subsequent good things.

"Post hoc, ergo propter hoc," however, can be a thunderous fallacy for several reasons. For one thing, it involves cutting up time into little pieces, and arbitrarily picking one point as the beginning. A longer view of things might insist that contemporary American prosperity is due to nineteenth century inventions, or the thinking of the Founding Fathers, or empty land, or the genes of the immigrants, or the decline of mercantilism, or a continental free trade area. Taking the long view, one is perfectly justified in saying that we are prosperous because our fundamental economic vitality has enabled us to triumph over the government interventions that have come thick and fast since 1933.

In his *The War on the Poor* (Arlington House, $5.95), Clar-

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ence B. Carson chooses a contrarious "after this, therefore in spite of this" approach. He sustains his thesis – that the things the politicians try to do for the poor are achieved at the expense of the poor – with brilliant logic and with irrefutable statistics. Such is the spell of the post-New Deal "propter hoc" fallacy, however, that Professor Carson's sanity will be regarded in most "intellectual" quarters as a quaint form of madness.

The Death of Agriculture

Professor Carson was born on a red-dirt farm in Alabama, and he vividly recalls Franklin D. Roosevelt's promises to "restore the balance between rural and urban dwellers." He remembers how his neighbors in the early thirties wrestled with the boll weevil, the grub worms, the floods, and the drought. Even so, "cultivated farm followed cultivated farm" in those days. In the middle thirties came the government programs: "the cotton allotments, the soil conservation checks, the crop loans, vague talk of parity and higher prices and soil improvement." Yet, as Professor Carson saw with his own eyes, the more the government "helped" the farmers, the more desperate became the situation of agriculture. The sons left the farms to work at sawmills, the daughters to clerk in stores. "There was nothing dramatic about the death of agriculture there," says Dr. Carson, "it was more like a lingering and wasting sickness."

When he went to college and learned something about economics, Dr. Carson discovered that the government programs forced "marginal" farmers to become "submarginal." Years later, when, as an economic historian, he began to assemble the statistics, he could see how the government aid programs defeated themselves. The big farmers got the most money for "acreage reduction." They put the government largesse into better fertilizers, better seeds, better labor-saving machinery. The marginal farmers couldn't keep up in the race. And so today, instead of having 25 per cent of the population living on farms as in 1933, the figure has been reduced to around 8 per cent.

The drift to the cities would have occurred in any event, but the tempo might have been slowed if the New Deal hadn't tried to be so "helpful." The ex-farmers, moving into town, clogged a labor market that was already the object of the government's "war on the poor." There was the big 1937 drive to build up the unions, with

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the help of the new labor legislation. But the rise in wages, which came with a one-sided "collective bargaining," was not matched with a corresponding rise in labor productivity. Minimum wage legislation came in 1938. Meanwhile, as business made less money, the stock market fell. We had a "depression within a depression," and in November, 1938, WPA "make-work" employment reached an all-time high. It was not the New Deal interventions that ended the unemployment of the thirties, it was war orders from an embattled Europe.

Sacking the Cities

Professor Carson deals with "urban renewal," but his word for it is "sacking the cities." Following Martin Anderson, he notes that "urban renewal" has actually resulted in a decrease in the number of low-rent housing units available to the poor. It is in the central city slums of today that the "war on the poor" comes full circle. The whirl of the wheel is instructive. It began with the payment to the richer cotton growers to take land out of production. The money went into equipment that did away with the need for the Negro field hand on the acres that were still cultivated. Taking the trail to the Northern cities, the Negro field hand crowded into the slum just as the Federal bulldozer was beginning its devastating work. But opportunity beckoned to the ex-field hand's children: they could become dope pushers.

After so much irrationality, foisted on an uncomprehending people by politicians whose chief stock in trade is to keep the masses dependent on the state, it is scarcely to be wondered at that we now have irrational battles in the streets, with the slum inhabitants making war on themselves. The government, as Professor Carson puts it, "has set citizen against citizen and group against group." "It is quite likely," so he observes, "that sometimes a man may have thrown a molotov cocktail which set fire to the dry cleaning establishment where some of his own clothes were."

Political Backfire

At the recent Mont Pelerin Conference in Venezuela we heard something about "Director's Law," so-called because Professor Aaron Director of the University of Chicago first formulated it. According to "Director's Law," the government programs of a middle-class democracy invariably take from the poor (who are less numerous) to help the middle-class majority.

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Dr. Carson restates Director's Law in his own way. "To suppose that the poor would be clever enough," he says, "to manipulate government to their advantage is to suppose something contrary to what has ever been or is ever likely to be. . . . If the poor were that clever and persistent they would not remain poor for long in any conditions. Government intervention has ever been a device to give additional advantages to those who already have power and wealth . . . . The fact that wealthy men predominate as national political figures today and advance these strange welfarist notions – such figures as the Kennedys, the Roosevelts, the Rockefellers, and so on – should have alerted us to the power quest that is involved."

As Dr. Carson says, the hope of the poor lies with putting hobbles on expansive government. Rescuing Andrew Jackson from the fell clutch of Arthur Schlesinger, who tried to make Jackson over into a New Dealer, Dr. Carson quotes Old Hickory as saying that the humble "have neither the time nor the means of securing . . . favors to themselves." The war on the poor will end when limited government is restored.

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CLARENCE B. CARSON

Professor of History at Grove City College, Pennsylvania

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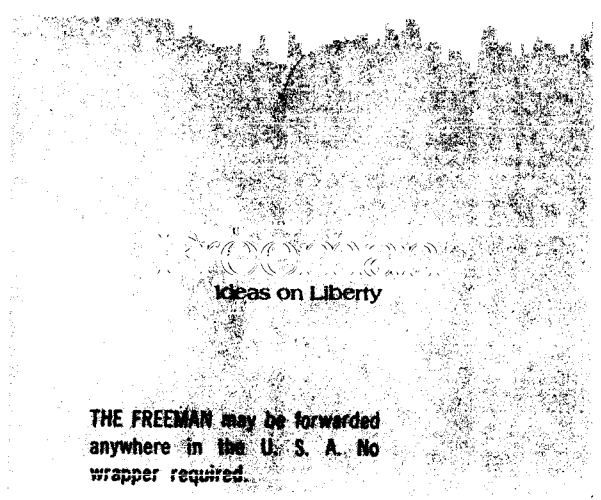

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